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No Sauce for the Gander

Why can't Americans have the same health care coverage as Congress?

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Our solons are just now scattered around the country far from the Beltway conventional wisdom, so they may be in an educable mood. If you have the opportunity, dear reader, sidle up to a Congressperson and ask: On this health care business, why not give the rest of us the same choices you've given yourself?

For the biggest thing Congressfolk will face back in Washington is the proposal for prescription drug benefits under Medicare, and it's galling that none of them rely on Medicare. Instead they've given themselves, their employees and the bureaucrats an entirely different system, now and in retirement. It's called the Federal Employees Health Benefits Program. Lo and behold, it looks a lot like the Medicare proposals Sen. Edward Kennedy and other Democratic millionaires say would destroy Medicare.

Indeed, the FEHBP is the model for the reform proposals framed by scholars at places such as the Heritage Foundation and American Enterprise Institute. It's also the choice of the Healthcare Leadership Council, a coalition of chief executives of health care providers ranging from the Mayo Clinic to Abbott Labs. It's also a model for the Bush administration, at least in its better days.

Medicare is a top-down system. Congress legislates a one-size-fits-all package of benefits. Then it sets up an agency--CMS, formerly HCFA--to decide what prices to pay. This is central planning like GOSPLAN, which ran the Soviet economy by dictating quantities and prices. So it's no surprise that Medicare is wracked by inefficiency and confusion.

It suffers a lag in designing appropriate benefits, for starters, with the prescription drug benefit debate being the latest example. Doctors drop out of the system, refusing new Medicare patients. Seniors find themselves unable to choose the physicians they want. Costs burgeon beyond control. And with the retirement of the baby-boom generation, the number of Americans in this creaking system will double by the year 2030.

For themselves and their retainers, by contrast, our Congressfolk designed a plan based on consumer choice and competition. Each spring, the Office of Personnel Management, which administers the federal employee plan, sends a "call letter" to health insurance providers outlining goals and asking each company to propose a benefits package. All plans that meet minimum standards are offered as a choice to federal employees.



Thus federal employees and retirees can choose among a dozen or more options. They can strike their own trade-off between coverage and cost, with the government paying part of the premium according to a formula which typically works out at 72% to 75%. Enrollees can change plans once a year, and competition produces innovations in coverage. Prescription drug benefits are already routine, for example.

Competition, not so incidentally, also controls costs. As in other businesses, participating plans have to set premiums that cover their costs, but will lose customers if their price is too high. The GAO found that the costs of FEHBP essentially mirror those of other large purchasers of health care. This means its premiums have increased rapidly in the last three years, but over 28 years its costs have been about the same as Medicare, but its benefits have been richer. The system

records high patient satisfaction, and it's accepted by physicians almost universally. Unlike Medicare, the FEHBP is not in crisis.

The Bush administration planned to use the prescription drug debate to introduce choice and consumer sovereignty into the broader Medicare system. It declared victory when both the House and Senate passed bills, now to be reconciled by a conference committee. But in fact the Senate bill merely adds prescription drug coverage as a new entitlement with no choice element, while the House bill has one lonely provision, introducing choice and competition starting in 2010. Some 75 House Republicans joined a letter suggesting they won't vote for a conference bill without this provision, but Sen. Kennedy is adamant about stripping away President Bush's last fig leaf.

The idea of waiting until 2010 is ludicrous enough; we now see reports of a "compromise" of a "pilot program" to test competition. Yet the FEHBP has operated successfully for more than 40 years, and as of July 2002 covered 2.2 million federal workers plus 1.9 million retirees and 4.2 million dependents. Some pilot program.

The Bush administration's inclination, at least when heading to the Crawford ranch, seemed to be to surrender to Sen. Kennedy and call it victory. Probably even to pressure GOP members into going along, as it did in passing the current House bill by one vote. In Beltway conventional wisdom, this is skillful triangulation.

But how in fact will this play politically? Three-fourths of seniors already have prescription drug coverage either as retired employees or from supplemental insurance; how will they feel about having this taken away in return for more government promises? And in longer-run political calculation the economic merits can't be cavalierly dismissed. On present course, Mr. Bush is likely to spend his second term trying to straighten out the prescription drug benefit, not pressing for further reforms such as salvaging Social Security.



So perhaps the solons out in the hustings can be educated; those who signed the line-in-the-sand letter could always use a jolt of courage. Come to think of it, maybe some old-timer down in Crawford can whisper some wisdom into Karl Rove's ear. George W. Bush's ear, even.